



**TESTIMONY OF  
GRIFFIN HOSPITAL  
SUBMITTED TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
Thursday, March 13, 2014  
In Support of**

**SB 368, An Act An Act Phasing Out The Hospitals Tax**

Griffin Hospital appreciates the opportunity to submit testimony in support of **SB 368, *An Act Phasing Out The Hospitals Tax***.

Since the end of last year, Griffin has joined other Connecticut hospitals in advocating for the hospital tax to be phased out, since it is no longer being implemented as originally passed. The original purpose of the hospital tax was to provide a small amount of financial assistance to the hospitals – about \$50 million a year, and significant help to the state – about \$150 million a year to help balance the budget. The tax wasn't supposed to hurt hospitals or patient care. The state taxed hospitals, returned that money to hospitals, and received a 50% federal match on the return the state made to hospitals. The state was able to balance the budget, and hospitals in the aggregate were whole.

In contrast, the current biennial budget continues taxing hospitals \$350 million per year, but only returns \$249 million to hospitals in FY 2014 and \$115 million in FY 2015, with the total loss to hospitals of \$336 million over the two state fiscal years. As a result, Griffin and other Connecticut hospitals in every corner of the state were – and continue to be – faced with the challenge of providing care with even fewer resources, affecting access and services for all patients.

Fortunately for Griffin, and more importantly, our patients, the hospital was able to do some extraordinary things to minimize the impact to patient care, including the successful implementation of a hospital-wide cost reduction and productivity improvement effort we began in 2012. This effort helped us reduce non salary operating cost and reduce labor expense by eliminating approximately 80 full time equivalent positions without resorting to a layoff while maintaining our high standards of quality, safety, and patient satisfaction. The other mitigating factor was the Value Hospital Provision included in the biennial budget. This provision helped Griffin and a number of other low-cost hospitals by increasing our below average Medicaid payment rates, which enabled us to weather the effects of the state's 2014 hospital payment cuts and remain viable.

Not all hospitals fared as well, however, evidenced by the fact that in the last year alone, Connecticut hospitals collectively eliminated more than 1,400 jobs, reduced staff salaries and benefits, reduced some services, and postponed investments in technology and infrastructure. This is having a negative effect on the state economy which will intensify since the net tax burden on hospitals will more than double in the coming year.

Griffin Hospital supports SB 368, which proposes a reasonable, measured plan for phasing out the hospital tax over a five-year period. The first step in that phase-out would occur in state fiscal year 2015, and the last step would occur in state fiscal year 2018.

Thank you for your consideration of Griffin Hospital's position in support of SB 368.